



## Chewy Calls Accumulate into Post-IPO Lows

Ticker/Price: CHWY (\$23.30)

### Analysis:

**Chewy (CHWY)** bullish flow continuing for a second straight day today with 750 January \$22.50 calls bought up to \$2.80 and 1,000 January \$20 calls for \$3.80. The December \$22.50 calls also bought 5,000X while the \$22 calls were bought 7,000X yesterday late. Shares are trading back at the October lows and showing a positive RSI divergence as well as impending bullish MACD crossover. A move higher targets the declining 50-MA at \$26. CHWY will have earnings on 12-9. The \$8.8B company trades 2X sales and 55X cash with expectations for profitability by FY23 and 24.5% and then 20% revenue growth the next two years. CHWY posted 40%+ revenue growth with growth in active members and higher average ticket. CHWY is also seeing margin improvement as they execute on a number of supply chain improvements, especially in Autoship which is becoming a significant part of their mix. CHWY also continues to invest in data-driven analytics to help drive better retention and loyalty as well as repeat purchases from their base. Short interest is 25% of the float and rising since August. Lone Pine Capital, Melvin Capital, Anchorage Capital, Samlyn Capital, Tiger Global, and Moore Capital all buyers in Q3. Insiders also active. On 10-2, a director bought near \$1M in stock at \$23.94. Analysts have an average target for shares of \$36.25. Credit Suisse starting at Buy on 11-11 with a \$29 PT as the Co. is well positioned amid a robust pet care industry, with an expanding customer base, unique customer engagement, and considerable Autoship adoption supporting strong recurring revenue streams. Nomura upgrading to Buy in September seeing concerns over competition overblown as their fulfillment center network is a distinct barrier to entry for potential new entrants.

### Hawk Vision:



**Hawk's Perspective:** CHWY is a name I still believe in long-term and seeing the 13F filings and Insider buys add confidence that its weakness since the IPO is just part of the process seen with many high valuation, high growth IPOs. The January puts are fairly cheap to pair with stock.

**Confidence Ranking:** \$\$